



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

April 9, 2024

To: The Board of Directors  
Family Ark, Inc.  
Clark County, Indiana

We have reviewed the audit report of Family Ark, Inc. which was opined upon by Bowden & Wood, PLLC, Independent Public Accountants, for the period January 1, 2022 to December 31, 2022. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Family Ark, Inc. as of December 31, 2022 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Bowden & Wood, PLLC prepared the audit report in accordance with guidelines established by the State Board of Accounts.

The report is filed with this letter in our office as a matter of public record.

A handwritten signature in cursive script that reads "Tammy R. White".

Tammy R. White, CPA  
Deputy State Examiner

FAMILY ARK, INC.  
FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2022 AND 2021

## CONTENTS

	Page
Independent auditors' report	1
Statements of financial position	3
Statements of activities	4
Statements of functional expenses	5
Statements of cash flows	6
Notes to financial statements	8



# BOWDEN & WOOD

CERTIFIED PUBLIC ACCOUNTANTS

MARK A. SCHAEFFER, CPA  
NICHOLAS M. SCHAEFER, CPA  
PHILIP J. AMSHOFF, CPA  
JOHN D. ERB, CPA  
JESSICA N. ENGLER, CPA  
JOSEPH J. O'CONNOR

November 2, 2023

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Family Ark, Inc.  
Jeffersonville, Indiana

### Opinion

We have audited the accompanying financial statements of Family Ark, Inc. (an Indiana non-profit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Family Ark, Inc., as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Family Ark, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Family Ark, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Family Ark, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Family Ark, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Respectfully submitted,

*Bowden & Wood*

Bowden & Wood, PLLC  
Certified Public Accountants

FAMILY ARK, INC.  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31,

	2022	2021
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 44 243	\$ 248 417
Investments (note B)	96 621	149 018
Accounts receivable, less allowance for insurance adjustments (note C)	393 204	411 253
Prepaid expenses	31 655	36 819
Other Receivables	84	-0-
Total current assets	<u>565 807</u>	<u>845 507</u>
Property and equipment, net of accumulated depreciation (note E)	<u>2 025 624</u>	<u>1 547 487</u>
Other assets:		
Cash and cash equivalents with donor restrictions (note I)	128 031	57 737
Operating lease assets (note O)	<u>242 515</u>	<u>-0-</u>
Total other assets	<u>370 546</u>	<u>57 737</u>
Total assets	<u><u>2 961 977</u></u>	<u><u>2 450 731</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	155 157	97 027
Accrued expenses	180 596	166 877
Line of credit (note G)	199 425	100 913
Current portion of note payable (note F)	36 414	10 880
Current portion operating lease liability (note O)	<u>44 173</u>	<u>-0-</u>
Total current liabilities	<u>615 765</u>	<u>375 697</u>
Long-term liabilities:		
Note payable (note F)	643 512	252 869
Operating lease liability, less current portion (note O)	<u>198 342</u>	<u>-0-</u>
Total long-term liabilities	<u>841 854</u>	<u>252 869</u>
Total liabilities	<u>1 457 619</u>	<u>628 566</u>
Net assets:		
Without donor restrictions	1 376 327	1 764 428
With donor restrictions	<u>128 031</u>	<u>57 737</u>
Total net assets	<u>1 504 358</u>	<u>1 822 165</u>
Total liabilities and net assets	<u><u>2 961 977</u></u>	<u><u>2 450 731</u></u>

See notes to financial statements.

FAMILY ARK, INC.  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31,

			2022	2021
	Without donor restrictions	With donor restrictions	Total	Total
Revenues, gains and other support				
Program service fees:				
Inpatient - foster care	538 701	-0-	538 701	\$ 676 791
Outpatient - specialized treatment	1 579 463	-0-	1 579 463	1 206 375
Family preservation	<u>756 655</u>	<u>-0-</u>	<u>756 655</u>	<u>747 596</u>
Total program service fees	2 874 819	-0-	2 874 819	2 630 762
Other revenues:				
Contributions and grants	15 957	191 041	206 998	145 202
Special events	-0-	-0-	-0-	2 665
Investment income	6 274	-0-	6 274	12 421
Gain on sale of investments	6 649	-0-	6 649	-0-
Unrealized (loss) gain on investments	(45 747)	-0-	(45 747)	2 942
Other income	17 423	-0-	17 423	4 800
Gain on sale of fixed assets	84 841	-0-	84 841	-0-
PPP grant	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>250 766</u>
Total other revenues	85 397	191 041	276 438	418 805
Satisfaction of donor specified restrictions (note J)	<u>120 747</u>	<u>(120 747)</u>	<u>-0-</u>	<u>-0-</u>
Total revenues, gains and other support	3 080 963	70 294	3 151 257	3 049 567
Expenses				
Program services	2 356 056	-0-	2 356 056	2 061 178
General and administrative	1 050 877	-0-	1 050 877	698 716
Fund-raising	<u>53 131</u>	<u>-0-</u>	<u>53 131</u>	<u>41 366</u>
Total expenses	3 469 064	-0-	3 469 064	2 801 260
Net (decrease) increase in total net assets	(388 101)	70 294	(317 807)	248 307
Net assets at beginning of year	<u>1 764 428</u>	<u>57 737</u>	<u>1 822 165</u>	<u>1 573 858</u>
Net assets at end of year	<u><u>1 376 327</u></u>	<u><u>128 031</u></u>	<u><u>1 504 358</u></u>	<u><u>1 822 165</u></u>

See notes to financial statements.

FAMILY ARK, INC.  
STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED DECEMBER 31,

				2022	2021
	Program services	General and administrative	Fund raising	Total expenses	Total expenses
Salaries	\$1 560 485	\$653 597	\$43 939	\$2 258 021	\$1 711 968
Employee benefits	126 064	60 674	3 706	190 444	144 518
Payroll taxes	124 118	42 985	3 316	170 419	122 580
Foster parent payments	162 707	-0-	-0-	162 707	220 019
Professional fees	8 900	18 879	68	27 847	36 749
Depreciation	-0-	72 596	-0-	72 596	64 452
Insurance	23 513	46 816	-0-	70 329	71 330
Bad debt expense	-0-	28 973	-0-	28 973	-0-
IT	39 067	-0-	-0-	39 067	80 993
Vehicle lease expense	34,894	-0-	-0-	34,894	-0
Repairs and maintenance	39 485	8 887	-0-	48 372	36 863
Utilities	45 208	10 762	-0-	55 970	36 501
Travel	17 074	786	-0-	17 860	7 177
Telephone	30 625	3 253	-0-	33 878	28 350
Professional development	6 742	8 877	-0-	15 619	24 007
Interest	-0-	24 050	-0-	24 050	8 780
Supplies	30 083	6 532	-0-	36 615	20 926
Licensing	5 428	-0-	1 500	6 928	8 686
Investment fees	-0-	1 479	-0-	1 479	1 771
Recruitment	2 500	240	-0-	2 740	1 161
Dues and subscriptions	316	11 318	591	12 225	36 008
Program activities	5 415	-0-	-0-	5 415	8 863
Miscellaneous	19 145	622	-0-	19 767	20 460
Employment	1 122	7 817	-0-	8 939	9 431
Scholarship award	-0-	5 000	-0-	5 000	2 000
Advertising and marketing	105	6 935	-0-	7 040	5 252
Food	12 847	837	-0-	13 684	3 711
Postage	-0-	670	-0-	670	976
Banking fees	-0-	3 360	11	3 371	1 950
Foster parent training	1 101	-0-	-0-	1 101	2 137
Rent	-0-	3 964	-0-	3 964	2 240
Printing	2 040	882	-0-	2 922	1 849
Billing service	27 148	-0-	-0-	27 148	28 765
Food and utility assistance	24 716	-0-	-0-	24 716	38 149
Outside services	-0-	9 371	-0-	9 371	7 630
Grants	14 208	-0-	-0-	14 208	5 008
Accreditation Expense	-0-	10 715	-0-	10 715	-0-
Total expenses	<u>2 365 056</u>	<u>1 050 877</u>	<u>53 131</u>	<u>3 469 064</u>	<u>2 801 260</u>

See notes to financial statements.

FAMILY ARK, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31,

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from services provided	\$2 892 784	\$2 539 727
Cash paid to suppliers and employees	(3 373 165)	(2 798 928)
Contributions and grants received - with donor imposed restrictions	191 041	113 815
Contributions and grants received - without donor imposed restrictions	15 957	31 387
Cash received from other income	109 960	78 238
Cash received from PPP grant	-0-	250 766
Interest paid	<u>(24 050)</u>	<u>(8 780)</u>
Net cash (used) provided by operating activities	(187 473)	206 225
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(750 999)	(711 991)
Proceeds from sales of investments	49 038	-0-
Purchase of investments	(44 242)	(2 283)
Proceeds from sales of property and equipment	86 440	800
Construction in process	<u>198 667</u>	<u>357 612</u>
Net cash used by investing activities	(461 096)	(355 862)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Borrowings on line of credit, net	98 512	-0-
Borrowings on note payable	418 972	180 139
Principal payments on note payable	<u>(2 795)</u>	<u>-0-</u>
Net cash provided by financing activities	<u>514 689</u>	<u>180 139</u>
<b>NET(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(133 880)	30 502
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF YEAR</b>	<u>306 154</u>	<u>275 652</u>
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR</b>	<u><u>172 274</u></u>	<u><u>306 154</u></u>

See notes to financial statements

FAMILY ARK, INC.  
STATEMENTS OF CASH FLOWS (continued)  
FOR THE YEARS ENDED DECEMBER 31,

	2022	2021
Reconciliation of net (decrease) increase in total net assets to net cash (used) provided in operating activities		
Net (decrease) increase in total net assets	<u>\$(317 807)</u>	<u>\$248 307</u>
Adjustments to reconcile net (decrease) increase in total net assets to net cash (used) provided in operating activities:		
Depreciation	72 596	64 452
Change in allowance accounts	28 973	748
Net investment income reinvested	(4 795)	(8 759)
Loss on sale of investments	6 649	-0-
Unrealized loss (gain) on investments	45 747	(2 942)
(Gain) loss on sale of fixed assets	(84 841)	1 667
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	(11 008)	(91 783)
Prepaid expenses	5 164	(7 797)
Increase (decrease) in liabilities:		
Accounts payable	58 130	(45 258)
Accrued expenses	13 719	47 590
Total adjustments	<u>130 334</u>	<u>(42 082)</u>
Net cash (used) provided by operating activities	<u>(187 473)</u>	<u>206 225</u>
Schedule of noncash operating transactions:		
Right of use asset recognized for operating lease incurred	248 733	-0-
Operating lease obligation incurred for asset right of use	(248 733)	-0-

See notes to financial statements.

FAMILY ARK, INC.  
NOTES TO FINANCIAL STATEMENTS

A DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF ORGANIZATION

Family Ark, Inc. (the Organization), located in Jeffersonville, Indiana, is a not-for-profit organization which operates facilities, develops programs and provides services for the care of children and families in Southern Indiana.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Family Ark, Inc. is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management who is responsible for the integrity and objectivity of the financial statements.

CONTRIBUTIONS

Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence or nature of any donor restrictions.

CONTRIBUTED SERVICES

No amounts have been reflected in the financial instruments for donated services. The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services.

SERVICE REVENUES

If the transfer of assets is determined to be an exchange transaction, Family Ark, Inc. recognizes revenue when or as it satisfies the required performance obligations and transfers the promised goods or service to customer, and when the customer obtains control of that good or service. Performance obligations are determined based on the nature of the services provided by the Organization.

Family Ark, Inc.'s exchange transactions for the years ended December 31, 2022 and 2021 include child placement referral services, family preservation services, and programs which promote the safety, well-being and permanency of children and families. These amounts are transacted with the Indiana Department of Child Services.

CASH AND CASH EQUIVALENTS

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with original maturities of three months or less to be cash and cash equivalents.

ACCOUNTS RECEIVABLE

The valuation of accounts receivable is based upon a detailed analysis of past due accounts and the history of uncollectible accounts. The Organization periodically reviews doubtful accounts to determine if write-offs are necessary. Accounts receivable at January 1, 2021 was \$320,218.

FAMILY ARK, INC.  
NOTES TO FINANCIAL STATEMENTS (continued)

A DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INVESTMENTS

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost, if purchased, or at fair market value as of the date of donation, if donated. The Organization's policy is to capitalize asset purchases exceeding \$2,000. Depreciation is calculated using the straight-line and double-declining balance methods over the assets' useful lives.

COMPENSATED ABSENCES

Employees of the Organization are entitled to paid leave, including vacation and sick time depending on job classification, length of service, and other factors. Compensated absences are included in "accrued expenses" on the statements of financial position and amounted to \$ 90,500 and \$90,260 at December 31, 2022 and 2021, respectively.

INCOME TAXES

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. However, income from certain activities not directly related to the Organization's tax exempt purpose may be subject to taxation as unrelated business income.

As of December 31, 2022 and 2021, the Organization did not have any accrued interest or penalties related to income tax liabilities, and no interest or penalties have been charged to operations for the years then ended.

ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

COST ALLOCATION

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Management believes the best allocation method is based on the percentage of compensation between the program services and general and administrative expenses.

FAMILY ARK, INC.  
NOTES TO FINANCIAL STATEMENTS (continued)

A DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

NEW ACCOUNTING PRONOUNCEMENTS

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which required lessees to recognize a liability associated with obligations to make payments under the terms of the arrangement in addition to the right-of-use asset representing the lessee's right to use or control the use of the given asset assumed under the lease. The standard is effective for non public companies for years beginning after December 15, 2021. Effective January 1, 2022, the organization adopted the FASB ASC 842, Leases using the optional transition method that allows the Organization to initially apply the new leases standard at the adoption date and recognize a cumulative effect adjustment to the opening balance of retained earnings in the period of adoption. No commutative effect adjustment occurred due to no leases in effect during the period ended December 31, 2021.

B INVESTMENTS

Cost and market value of investments consisted of the following as of December 31, 2022:

	Cost	Market value	Unrealized appreciation (depreciation)
Bond funds	\$ 82 872	\$ 69 081	\$ (13 791)
Equity funds	<u>20 897</u>	<u>27 540</u>	<u>6 643</u>
Total investments	<u>103 769</u>	<u>96 621</u>	<u>(7 148)</u>

Cost and market value of investments consisted of the following as of December 31, 2021:

	Cost	Market value	Unrealized appreciation (depreciation)
Bond funds	\$ 107 786	\$ 106 146	\$ (1 640)
Equity funds	<u>24 555</u>	<u>42 872</u>	<u>18 317</u>
Total investments	<u>132 341</u>	<u>149 018</u>	<u>16 677</u>

C RECEIVABLES

The principal source of revenue to the Organization is appropriations received from Indiana for the counties served. The courts will appropriate funds for the care of each child who is sent to the Organization for placement in foster homes and home based services. Such funds are then used by the Organization to pay foster parents and operating overhead including staff and counselors' salaries. Approximately 91 % of revenue in 2022 and 83% in 2021 were derived from revenues provided under contracts with the Indiana Department of Child Services (DCS).

FAMILY ARK, INC.  
NOTES TO FINANCIAL STATEMENTS (continued)

C RECEIVABLES (continued)

Receivables from the DCS total approximately 96 % of the accounts receivable at December 31, 2022 and 76% at December 31, 2021. The current level of the Organization's program revenues may be impacted if the funding by the DCS significantly changes. Current contracts with DCS have expiration dates of 2023 and 2025 with no automatic renewal.

Receivables consisted of the following at December 31,

	2022	2021
Behavioral health center	\$105 010	\$ 53 247
Foster care	75 044	98 031
Home based	26 135	36 173
Family preservation	101 963	143 191
Specialized services	135 400	111 000
Other	<u>17 270</u>	<u>8 257</u>
	460 907	449 899
Allowance for insurance adjustments	<u>(67 619)</u>	<u>(38 646)</u>
	<u><u>393 204</u></u>	<u><u>411 253</u></u>

D FAIR VALUE MEASUREMENTS

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels:

Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority. Level 2 inputs consist of observable inputs other than quoted prices for identical assets (Level 1 ). Level 3 inputs are unobservable and have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 2 inputs are used for investments for which Level 1 inputs were not available. Level 3 inputs would only be used if Level 1 or Level 2 inputs were not available. There are no Organization assets requiring the use of Level 2 or Level 3 inputs for the periods presented and there were no changes in the methods used to measure fair value at December 31, 2022 and 2021.

*Level 1 Fair Value Measurements*

The fair value of mutual funds is based on quoted net asset value of the shares as reported by the fund. The mutual funds held by the Organization are open-end mutual funds registered with the U.S. Securities and Exchange Commission. The funds must publish their daily net asset value and transact at that price. The mutual funds held by the Organization are considered to be actively traded. The Organization's investments at fair value as of December 31, 2022 and 2021:

FAMILY ARK, INC.  
NOTES TO FINANCIAL STATEMENTS (continued)

D FAIR VALUE MEASUREMENTS (continued)

	Fair Value	Fair Value Measurements at the End of the Reporting Period Using:  Quoted Prices in Active Markets for Identical Assets (Level 1)
December 31, 2022		
Equity funds	\$ 27 540	\$ 27 540
Bond funds	<u>69 081</u>	<u>69 081</u>
December 31, 2021	96 621	96 621
Equity funds	\$ 42 872	\$ 42 872
Bond funds	<u>106 146</u>	<u>106 146</u>
	149 018	149 018

Gains and losses included in changes in net assets available for benefits for the years ended December 31, 2022 and 2021, are reported in net appreciation in fair value of investments.

The Organization's policy is to recognize transfers of investments into or out of Level 3 as of the date of the event or change in circumstances that caused the transfer. For the years ended December 31, 2022 and 2021, there were no transfers of investments into or out of Level 3.

E PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31,

	2022	2021
Description		
Furniture and fixtures	\$ 74 392	\$ 51 692
Computer and office equipment	114 184	90 805
Vehicles	12 800	44 092
Leasehold improvements	274 364	253 784
Buildings	1 946 087	1 261 746
Land	17 320	18 919
Construction in process	<u>-0-</u>	<u>198 667</u>
	2 439 147	1 919 705

FAMILY ARK, INC.  
NOTES TO FINANCIAL STATEMENTS (continued)

E PROPERTY AND EQUIPMENT (continued)

Less accumulated depreciation and amortization	\$ <u>(413 523)</u>	\$ <u>(372 218)</u>
Net property and equipment	<u>2 025 624</u>	<u>1 547 487</u>

Depreciation and amortization expense was \$72,596 and \$64,452 for the years ended December 31, 2022 and 2021, respectively.

Construction in process at December 31, 2021 consisted of amounts paid for the construction and renovation of Lotus House #1 and #2. Approximately \$682,000 of construction in process for the constructions of Lotus house #2 was placed into service during 2022. There was no construction in process at December 31, 2022.

F NOTE PAYABLE

During 2021, the Organization obtained a construction to permanent loan from Wesbanco with a limit of \$682,721, secured by the real estate. The loan has interest only payments at a rate of 4.0% for the first 18 months then converts to a mortgage loan thereafter for 180 months with principal and interest payments due at a rate of 4.0% fixed for the first 60 months and will reprice to the 5-year treasury index plus 2.75% every 60 months thereafter. The balance on the loan on December 31, 2022 and 2021 was \$679,926 and \$263,749, respectively.

Total note payable	\$ 679 926
Less current portion due in one year	<u>(36 414)</u>
Long-term portion	643 512

Long-term portion maturities during years ended December 31, 2022:

	2024	\$ 39 442
	2025	41 049
	2026	42 721
	2027	44 462
	Thereafter	<u>473 455</u>
		<u>641 129</u>

G LINE OF CREDIT

The Organization has a line of credit with a limit of \$200,000 secured by the real estate at the bank's prime rate of 7.25% and 4.00% at December 31, 2022 and 2021, respectively. The available balance was \$575 and \$99,087 at December 31, 2022 and 2021, respectively.

FAMILY ARK, INC.  
NOTES TO FINANCIAL STATEMENTS (continued)

H RETIREMENT PLAN

The Organization has a 403(b) plan, which allows employees to defer a percentage of their wages and covers substantially all employees who meet certain requirements. The Organization matches 50% of employee deferrals up to 4% of the employee's wages for a maximum match of 2%. Total expense under the plan was \$25,920 and \$16,613 for the years ended December 31, 2022 and 2021, respectively.

I LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions.

	2022	2021
Financial assets at year-end	\$ <u>268 895</u>	\$ <u>455 172</u>
Less those unavailable for general expenditures within one year, due to:		
Donor-restricted to support children and families	90 626	5 098
Donor-restricted to support youth programs impacted by COVID	34 083	38 517
Donor-restricted to renovation project	<u>3 322</u>	<u>14 122</u>
Total donor restricted financial assets	<u>128 031</u>	<u>57 737</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>140 864</u>	<u>397 435</u>

J RESTRICTIONS ON NET ASSETS

CAPITAL CAMPAIGN

The Organization, along with Volunteers of America and Indiana Department of Child Services, have contracted to begin a program for pregnant women with substance addictions. The Organization renovated one of the buildings on the property to provide the services. To fund the renovation costs, the Organization raised support of \$25,050. Renovation of the facilities began in the fall of 2019 with completion in 2022. Cash and promises to give were restricted to payment of the cost of renovating the facility and are not available for operating purposes.

FAMILY ARK, INC.  
NOTES TO FINANCIAL STATEMENTS (continued)

J RESTRICTIONS ON NET ASSETS (continued)

CAPITAL CAMPAIGN (continued)

Net assets with donor restrictions during the year ended December 31, 2022 are as follows:

	Balance 12/31/21	Contributions/ grants	Released	Balance 12/31/22
Contributions restricted for:				
Indiana youth programs impacted by COVID	\$38 517	\$-0-	\$ 4 434	\$34 083
Supporting children and families	5 098	191 041	105 513	90 626
Lotus house - renovation project	<u>14 122</u>	<u>-0-</u>	<u>10 800</u>	<u>3 322</u>
	<u>57 737</u>	<u>191 041</u>	<u>120 747</u>	<u>128 031</u>

K CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of December 31, 2022 and 2021 consist of the following:

	2022	2021
Cash	\$ 44 243	\$ 248 417
Restricted cash	<u>128 031</u>	<u>57 737</u>
Total cash, cash equivalents and restricted cash shown in the statements of cash flows	<u>172 274</u>	<u>306 154</u>

L RENTAL INCOME

The Organization occasionally leases portions of its property to unrelated third parties on a day-by-day. Rental income for the years ended December 31, 2022 and 2021 was \$1,050 and \$450, respectively.

M CONCENTRATION OF CREDIT RISK

The Organization has significant investments in bond and equity funds held by an investment manager and are, therefore, subject to credit risk. Investments are made by the investment manager and the investments are monitored by the Board of Directors. Though the market value of investments is subject to fluctuations on a year-to-year basis, management believes the investment policy is prudent for the long-term welfare of the Organization.

FAMILY ARK, INC.  
NOTES TO FINANCIAL STATEMENTS (continued)

N PAYCHECK PROTECTION PROGRAM (PPP) FUNDS

During 2021, the Organization obtained a Paycheck Protection Program (PPP) loan through the SBA for \$250,766. The Organization has adopted the accounting policy for government grants to recognize this amount in the income statement as “PPP Grant” under IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*. The loan was to be forgiven to the extent loan proceeds were used for eligible expenses such as payroll and other expenses described in the CARES Act. The Organization used the loan proceeds for qualifying expenses and the entire loan balance for the PPP loan was forgiven in 2021.

O OPERATING LEASE COMMITMENTS

The Organization leases a fleet of rental vehicles from third-party vehicle leasing company under non-cancellable leases with terms of 60 months. The lease portfolio does not include agreements with renewal options, purchase options or clauses for early termination. Leases within the lease portfolio are classified as operating leases.

The lease agreements commenced between October 1, 2022 and December 1, 2022, and requires monthly lease payments ranging from \$435 to \$550.

Future minimum rental payments for operating leases as of December 1, 2022 for each of the next 5 years and in the aggregate are:

	2023	\$60 931
	2024	60 931
	2025	60 931
	2026	60 931
	2027	44 656
	Thereafter	<u>-0-</u>
Total undiscounted cash flows		<u>288 380</u>
Less: present value discount		<u>(45 865)</u>
Total lease liabilities		<u><u>242 515</u></u>

Rental expense under operating leases as of December 31 as follows:

	2022	2021
Minimum rentals	\$ <u>16 277</u>	<u>-0-</u>
Total rent expense	<u>16 277</u>	<u>-0-</u>

The company has made an accounting policy to apply the incremental borrowing rate when the rate implicit in a lease is not readily determinable as the discount rate used to measure lease liabilities and right-of-use assets at commencement of the operating lease.

OTHER INFORMATION

Cash paid for the amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	\$11 199
Weighted-average remaining lease term in years for operating leases	4.73
Weighted-average discount rate for operating leases	7.71%

**P RECENT ACCOUNTING PRONOUNCEMENTS**

In June 2016, the FASB issued ASU 2016-13, (FASB ASC Topic 326), Financial Instruments-Credit Losses: Measurement of Credit Losses on Financial Instruments which amends the current accounting guidance and requires the use of the new forward-looking “expected loss” model, which requires all expected losses to be determined based on historical experience, current condition and reasonable and supportable forecasts rather than the “incurred loss” model. This guidance amends the accounting for credit losses for most financial assets and certain other instruments including trade and other receivables, held-to-maturity debt securities, loans and other instruments. The effective date of ASU No. 2016-13 for smaller reporting companies is postponed to fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Organization believes the adoption of ASU No. 2016-13 will not have a material impact on its financial position and results of operations.

**Q SUBSEQUENT EVENTS**

Subsequent events have been evaluated through the date of this report, which is the date the financial statements were available to be issued.